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**MISSOURI HOUSING  
DEVELOPMENT COMMISSION**  
FINANCIAL STATEMENTS  
JUNE 30, 2001

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## Independent Auditors' Report

The Commissioners  
Missouri Housing Development Commission

We have audited the accompanying balance sheet of the Missouri Housing Development Commission (a body corporate and politic of the State of Missouri) as of June 30, 2001 and 2000, and the statements of revenues and expenses and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2001 and 2000 financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Development Commission at June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2001 on our consideration of the Missouri Housing Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information on pages 18 and 19, which is the responsibility of the Commission's management, is presented for purposes of additional analysis and is not a required part of the financial statements of the Missouri Housing Development Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Rubin, Brown, Gornstein & Co. LLP*

St. Louis, Missouri  
August 28, 2001

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## BALANCE SHEET (In Thousands)

	June 30,	
	2001	2000
<b>Assets</b>		
Cash and temporary cash investments	\$ 29,165	\$ 18,836
Investments:		
Investment agreements	266,082	276,814
Securities purchased under agreements to resell	25,132	26,098
U.S. government and agency securities	124,061	126,265
	415,275	429,177
Mortgage Investments:		
Mortgage and construction loans receivable, net of allowance for loan losses (\$14,948 in 2001 and \$11,887 in 2000)	337,429	337,504
GNMA and FannieMae mortgage-backed securities	1,054,077	960,781
	1,391,506	1,298,285
Other Assets:		
Accounts receivable - other	361	597
Accrued interest receivable	12,699	12,991
Deferred financing charges	38,082	33,358
Property and equipment	586	1,701
Rental property	1,808	1,808
	53,536	50,455
<b>Total Assets</b>	<b>\$ 1,889,482</b>	<b>\$ 1,796,753</b>
<b>Liabilities And Fund Equity</b>		
<b>Liabilities</b>		
Bonds and notes payable	\$ 1,520,251	\$ 1,486,995
Accrued interest payable	27,268	25,502
Escrow deposits	34,356	33,517
Rent subsidies payable	4,703	5,362
Accounts payable	3,508	2,651
Deferred financing and commitment fees	12,320	11,947
<b>Total Liabilities</b>	<b>1,602,406</b>	<b>1,565,974</b>
<b>Fund Equity - Retained Earnings</b>		
Restricted by the Commission, bond resolution and state statute	259,382	248,301
Unrestricted	27,694	(17,522)
<b>Total Fund Equity - Retained Earnings</b>	<b>287,076</b>	<b>230,779</b>
<b>Total Liabilities And Fund Equity</b>	<b>\$ 1,889,482</b>	<b>\$ 1,796,753</b>

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (In Thousands)

	For The Years Ended June 30,	
	2001	2000
<b>Operating Revenues</b>		
Interest and investment income:		
Income - mortgage investments	\$ 93,903	\$ 89,162
Income - investments	21,583	22,632
Net increase (decrease) in fair value of investments	43,270	(31,204)
Total interest and investment income	158,756	80,590
Financing fees and other	9,814	8,405
Federal financial assistance and grants	66,493	48,877
<b>Total Operating Revenues</b>	<b>235,063</b>	<b>137,872</b>
<b>Operating Expenses</b>		
Interest on bonds	89,059	84,368
Bank miscellaneous bond debt expense	5,911	5,192
Salaries	3,677	3,111
Administrative expenses	4,721	3,271
Provision for loan and real estate owned losses	3,820	920
Rent subsidy payments	2,548	2,720
Housing Trust Fund grants	4,431	4,387
Federal assistance and grants	65,493	48,877
<b>Total Operating Expenses</b>	<b>179,660</b>	<b>152,846</b>
<b>Operating Income (Loss) Before Extraordinary Item</b>	<b>55,403</b>	<b>(14,974)</b>
<b>Extraordinary Gain On Early Extinguishment Of Debt</b>	<b>894</b>	<b>817</b>
<b>Net Income (Loss)</b>	<b>56,297</b>	<b>(14,157)</b>
<b>Retained Earnings - Beginning Of Year</b>	<b>230,779</b>	<b>244,936</b>
<b>Retained Earnings - End Of Year</b>	<b>\$ 287,076</b>	<b>\$ 230,779</b>

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF CASH FLOWS (In Thousands)

	For The Years Ended June 30,	
	2001	2000
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 56,297	\$ (14,157)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Income - mortgage investments	(93,903)	(89,162)
Income - investments	(21,583)	(22,632)
Loss on disposal of property and equipment	1,263	—
Amortization of financing charges, financing fees and debt premium/discount	346	(343)
Provision for loan and real estate owned losses, net of charged-off loans	3,062	852
Interest expense related to bonds	89,059	84,368
Repayment of principal on mortgage loans	150,977	177,294
Mortgage and construction loans disbursed	(247,260)	(309,566)
Interest received on mortgage investments	93,914	88,504
Change in assets and liabilities:		
Accounts receivable - other	236	(198)
Deferred financing costs	(8,630)	(11,303)
Escrow deposits	839	1,134
Rent subsidies payable	(659)	1,294
Accounts payable	857	(1,221)
Deferred financing and commitment fees	2,007	2,685
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>26,822</b>	<b>(92,451)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Retirement of principal on bonds	(222,913)	(217,733)
Proceeds from issuance of bonds	258,095	361,925
Interest paid on bonds	(87,293)	(81,769)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>(52,111)</b>	<b>62,423</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	755,057	1,014,652
Purchase of investments	(742,121)	(1,005,297)
Payments for property and equipment	(148)	(41)
Income received on investments	21,864	21,795
(Increase) decrease in securities purchased under agreements to resell	966	(9,304)
<b>Net Cash Provided By Investing Activities</b>	<b>35,618</b>	<b>21,805</b>
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>10,329</b>	<b>(8,223)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>18,836</b>	<b>27,059</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 29,165</b>	<b>\$ 18,836</b>

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2001 And 2000

### 1. Authorizing Legislation

The Missouri Housing Development Commission (the Commission) is a body corporate and politic established on October 13, 1969 by Chapter 215 of the Missouri statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans which are uninsured, partially insured, or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed \$200,000,000. At June 30, 2001 and 2000, the Commission had \$2,765,000, and \$2,865,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the State of Missouri.

### 2. Summary Of Significant Accounting Policies

#### Reporting Entity

Governmental Accounting Standards establishes the criteria used in determining which organizations should be included in the Commission's financial statements. General accepted accounting principles require the inclusion of the transactions of government organizations for which the Commission is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency.

The Missouri Housing Trust Fund has been designated as a blended component unit of the Commission. The Missouri Housing Trust Fund was created by Section 215.035 of the Missouri statutes. Separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), the Commission is considered a related organization of the State of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the State of Missouri's comprehensive annual financial report.

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

#### **Basis Of Presentation**

The Commission maintains its financial records on the accrual basis of accounting. The Commission has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 as prescribed by GASB Statement No. 20.

#### **Cash And Investment Policies**

Chapter 215 of the Missouri statutes provides for the Commission to invest any funds not required for immediate disbursement in obligations of the State of Missouri or the United States government or any instrumentality thereof, the principal and interest of which are guaranteed by the State of Missouri or the United States government or instrumentality thereof; bank certificates of deposit; or such other investments as determined by the Commission. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes.

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the year ended June 30, 2001 and 2000, the net increase (decrease) in fair value of investments was \$43,270,000 and \$(31,204,000), respectively. Without the recognition of this element of investment income, the Commission's net income would have been \$13,027,000 in 2001 and \$17,047,000 in 2000.

#### **Mortgage Investments**

Proceeds from the sale of bonds are used to make or purchase mortgage loans and to purchase Government National Mortgage Association (GNMA) and FannieMae loan mortgage-based securities. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA and FannieMae mortgage-backed securities are reported at fair value. Mortgage-backed securities do not have a contractual maturity date, and the Commission may be subject to the risk of prepayment on these securities.

#### **Allowance For Loan Losses**

The allowance for loan losses is for uninsured loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors which, in management's opinion, require consideration.



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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

#### **Deferred Financing Charges**

Costs of issuance of bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

#### **Property And Equipment**

Property and equipment consist of office furniture and equipment recorded at cost when acquired and are relieved at cost upon disposition.

#### **Rental Property**

Two rental properties have been acquired and rehabilitated for rental to persons or families of low income. These properties were recorded at cost when acquired and will be relieved at cost upon disposition.

#### **Deferred Financing And Commitment Fees**

Financing fees are deferred and recorded as income over the life of the related bond issuance, which approximates the life of the related mortgage loans.

#### **Federal Assistance And Grants**

The Commission administers grants and federal assistance programs, representing “pass-through” financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission.

#### **Debt Refunding**

For current refunding and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements. During the years ended June 30, 2001 and prior, deferred refunding amounts were considered immaterial and therefore not reflected in the financial statements.

#### **Use Of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

### 3. Description Of Funds Or Programs

The following describes the funds or programs maintained by the Commission, all of which conform with the statute and the respective bond resolutions.

#### **Operating Fund**

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned under the Housing Assistance Payments Program, administered under Section 8 of the Housing and Community Development Act, and interest income from investments and mortgage loans. Mortgage and construction loans in the Operating Fund are insured by HUD or guaranteed by the Veterans Administration (VA) except for approximately \$80,214,000 and \$54,792,000 at June 30, 2001 and 2000, respectively, of uninsured loans net of allowance for loan losses made under the Commission's various special housing programs. These mortgages are collateralized by deeds of trust on the related properties. Included within the Operating Fund is the Tenant Assistance Program, established for the purpose of subsidizing low-income housing. Authorized activities of the Operating Fund include the following:

- ? Payment of general and administrative expenses and other costs not payable by other funds of the Commission;
- ? Financing multifamily or single-family residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures; and,
- ? Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

#### **Multifamily Mortgage Program**

The Commission's Multifamily Mortgage Program was established to account for the proceeds from the bond sales, debt service requirements, and the related mortgage loans and mortgage-backed securities on eligible multifamily and nursing home developments. All loans, with the exception of \$40,950,000 being financed with the proceeds from the issuance of the Rental Housing Revenue bonds payable (Ecumenical Housing, Longfellow Heights, Primm Place, Truman Farm Villas, Brookstone, O'Fallon Place Apartments, Mansion II Apartments and East Hills Village Apartments), are insured by HUD. The Ecumenical Housing, Longfellow Heights, Primm Place, Truman Farm Villas, Brookstone, O'Fallon Place Apartments, Mansion II Apartments and East Hills Village Apartments, which totaled \$35,925,000 at June 30, 2001, are financed by the borrowers with limited obligation bonds which are denoted by "\*\*\*" in Note 5.

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

#### **Single-Family Mortgage Program**

The Commission's Single-Family Mortgage Program was established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible single-family housing units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA.

#### **4. Cash And Investments**

##### **Cash And Temporary Cash Investments**

At June 30, 2001 and 2000, \$7,467,000 and \$6,777,000 were held in money management accounts which earned interest at rates from approximately 3.5% in 2001 and 5.70% to 5.88% in 2000. At June 30, 2001 and 2000, the total carrying amount of the Commission's deposits was \$29,165,000 and \$18,836,000, and the bank balances were \$28,457,000 and \$21,166,000, respectively. Of the bank balance at June 30, 2001 and 2000, \$22,028,000 and \$12,437,000, respectively, were insured by the Federal Deposit Insurance Corporation. Of the uninsured balance in cash and temporary cash investments, \$6,429,000 and \$8,729,000 at June 30, 2001 and 2000, respectively, were collateralized by unregistered pledged securities held by the pledging financial institution or by its Trust Department or agent, but not in the Commission's name. Cash and temporary cash investments are classified as cash and cash equivalents for purposes of the statement of cash flows.

##### **Investment Agreements**

For bond issues originating after March 15, 1983, the Commission has authorized and directed the investment of funds with certain financial institutions. The total amount of funds invested in these agreements at June 30, 2001 and 2000 was \$266,082,000 and \$276,814,000, with guaranteed fixed rates of return ranging from 3.50% to 8.10% and 4.80% to 9.20%, respectively. At June 30, 2001 and 2000, investment agreements of \$66,632,000 and \$40,615,000, respectively, were collateralized by the banks with U.S. government or U.S. government agency obligations. Pursuant to the investment agreements between the Commission and the banks, investment agreements of \$199,450,000 and \$236,199,000 were uncollateralized at June 30, 2001 and 2000, respectively. The investment agreements have redemption terms that do not consider market rates, and income is based on contractual interest rates; accordingly, these agreements are reported at cost.

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**MISSOURI HOUSING DEVELOPMENT COMMISSION**

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**Notes To Financial Statements (Continued)****Securities Purchased Under Agreements To Resell**

Investments in securities purchased under agreements to resell are carried at fair value. At June 30, 2001 and 2000, these agreements had an average interest rate of approximately 5% and were collateralized by the banks with U.S. government or U.S. government agency obligations.

**U.S. Government And Agency Securities**

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2001 and 2000, securities approximating \$10,812,000 and \$18,892,000, respectively, are unregistered investments for which the securities are held by the Commission's agent in the name of the Commission. At June 30, 2001 and 2000, securities totaling \$113,249,000 and \$107,373,000, respectively, are unregistered investments for which the securities are held by the counterparty financial institution in the name of the Commission.

**5. Bonds And Notes Payable**

The net proceeds of bond issues are used to provide financing for multifamily housing projects or for single-family residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. Those bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2001 and 2000 follows:

	Original Amount Authorized	Outstanding June 30, 20012000	
		(In Thousands)	
Multifamily Mortgage Program:			
December 1, 1971 Series (5.85% to 6%), due 2001 - 2015	\$ 12,875	\$ —	\$ 3,625
July 1, 1975 Series (7.5% to 8%), due 2001 - 2019	10,465	6,310	6,500
May 1, 1976 Series (6.1% to 8%), due 2001 - 2019	11,800	590	3,235
October 15, 1976 Series (5.8% to 6%), due 2001 - 2020	30,000	—	18,730
March 15, 1977 Series (5.75% to 6%), due 2001 - 2020	30,000	12,080	12,570
January 15, 1978 Series (5.6% to 5.75%), due 2001 - 2022	35,000	18,385	20,735
July 15, 1978 Series (6.3% to 6.6%), due 2001 - 2022	45,000	21,665	26,160
Balance Carried Forward	175,140	59,030	91,555

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements *(Continued)*

	Original Amount Authorized	Outstanding June 30, 20012000	
	(In Thousands)		
Multifamily Mortgage Program: (Continued)			
Balance Brought Forward	\$ 175,140	\$ 59,030	\$ 91,555
1979 Series A (6.4% to 7%), due 2001 - 2022	32,400	12,630	15,380
1979 Series B (6.4% to 7%), due 2001 - 2023	43,500	24,070	26,820
September 1, 1980 Series (9.625% to 10%), due 2007 - 2024	15,500	4,115	4,165
May 15, 1982 Series (9%), due 2001 - 2023	7,000	3,305	3,360
September 1, 1984 Series (10% to 11.25%), due 2001 - 2026	13,080	—	1,100
December 1, 1985 Series (8.4% to 9%), due 2001 - 2027	2,370	—	1,455
June 1, 1988 Series (7.5% to 8.5%), due 2001 - 2029	3,905	1,960	2,310
June 1, 1989 Series A (6.75% to 7.375%), due 2001 - 2031*	965	900	910
September 1, 1989 Series (9.25%), due 2031	1,845	1,650	1,670
March 1, 1991 Series (10%), due 2031	1,685	1,640	1,645
June 15, 1992 Series (5.35% to 6.6%), due 2001 - 2024	10,240	7,140	9,235
November 15, 1992 Series (5% to 6.6%), due 2001 - 2025	43,340	26,610	27,310
Boulevard Associates Bonds, Series 1994A (4.05% to 5.7%), due 2001 - 2027**	4,150	—	245
1995 Series A (4% to 6.25%), due 2001 - 2018**	2,825	2,560	2,650
November 15, 1996 Series (7.1% to 8.05%), due 2007 - 2038	3,540	3,445	3,475
Series 1996 (4.5% to 5.8%), due 2001 - 2010**	1,435	1,125	1,220
1996 Series A (5.75% to 6.2%), due 2012 -2028**	7,700	7,775	7,675
1996 Series B (6.6%), due 2003**	250	100	250
1996 Series A (5.25% to 6.2%), due 2007 - 2029**	8,400	8,175	8,400
Series 1998 (3.9% to 5.45%), due 2001 - 2028	9,045	8,615	8,770
O’Fallon Place Bonds, Series 2001 (3.7% to 5.25%), due 2002 - 2032**	6,710	6,710	6,710
Mansion II Bonds, Series 2001 (6.125% to 6.17%), due 2022 - 2032**	6,730	6,730	6,730
East Hills Village Bonds, Series 1999 (7.3%), due 2030**	2,750	2,750	2,750
2000 Series 1 (4.85% to 6.10%), due 2001 - 2031	11,540	11,540	11,540
2001 Series I (3.40% to 5.25%), due 2001 - 2027	21,780	21,780	—
2001 Series II (3.25% to 5.50%), due 2001 - 2023	46,360	46,360	—
	484,185	270,715	247,330
Less: Unamortized debt discount		(437)	(675)
		270,278	246,655

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements *(Continued)*

	Original Amount Authorized	Outstanding June 30, 2001      2000	
		<i>(In Thousands)</i>	
<b>Single-Family Mortgage Program:</b>			
June 15, 1976 Series (6.375%), due 2008	\$ 28,175	\$ 2,310	\$ 3,060
April 1, 1985 Series (8.9% to 9.375%), due 2001 - 2016	100,000	—	565
1986 Series A (9%), due 2018*	19,970	225	520
September 1, 1986 Series (6.8% to 7.5%), due 2001 - 2017	9,925	1,525	1,910
November 1, 1986 Series (6.8% to 7.6%), due 2001 - 2018*	100,000	12,050	15,510
July 15, 1987 Series (7.3% to 8.65%), due 2001 - 2010	10,000	101	684
1988 Series A (7.3% to 8.3%), due 2001 - 2019*	76,200	13,950	16,785
1988 Series B (7.3% to 8.25%), due 2001 - 2019*	37,500	3,120	4,440
1988 Series C (7.3% to 8.25%), due 2001 - 2019*	37,500	5,140	6,375
1989 Series B (6.95% to 7.625%), due 2001 - 2021*	50,000	7,825	9,890
1990 Series B (6.6% to 7.75%), due 2001 - 2022*	85,000	—	16,040
1991 Series A (6.1% to 7.375%), due 2001 - 2024*	140,000	—	47,000
September 1, 1991 Series B (7% to 7.25%), due 2011 - 2013	18,200	18,005	18,052
1991 Series B (5.75% to 6.3%), due 2001 - 2003*	12,000	945	1,645
1991 Series C (6.35% to 7.35%), due 2008 - 2024*	53,485	17,797	20,640
1992 Series A (5.5% to 6.75%), due 2001 - 2024*	75,000	22,250	26,015
1992 Series B (5% to 6.4%), due 2001 - 2025*	75,000	36,620	41,520
1994 Series A (5.6% to 7.3%), due 2001 - 2026*	100,000	23,185	28,100
1995 Series A (4.55% to 6.22%), due 2001 - 2027*	55,000	36,720	40,835
1995 Series B (4.4% to 6.45%), due 2001 - 2028*	30,000	19,425	22,050
1995 Series C (4.3% to 7.25%), due 2001 - 2027*	30,000	15,405	18,005
1995 Series D (4.25% to 6.15%), due 2001 - 2027*	16,800	9,105	10,775
1996 Series A (4.25% to 7.2%), due 2001 - 2027*	41,000	23,865	26,930
1996 Series B (4.4% to 7.55%), due 2001 - 2028*	29,060	14,160	17,075
1996 Series C (4.25% to 7.45%), due 2001 - 2028*	32,925	18,440	21,325
1996 Series D (4.2% to 7.1%), due 2001 - 2028*	46,640	30,500	33,975
1997 Series A (4.2% to 7.23%), due 2001 - 2029*	50,000	32,095	36,265
1997 Series A-4 (4.15% to 5.65%), due 2001 - 2029*	10,000	6,610	7,520
1997 Series B (4.05% to 6.85%), due 2001 - 2029*	64,500	50,320	55,200
1997 Series C (4.15% to 6.85%), due 2001 - 2029*	55,625	42,715	48,320
1998 Series B (4% to 6.4%), due 2001 - 2030*	70,000	56,945	62,230
1998 Series D (3.85% to 6.5%), due 2001 - 2029*	70,000	61,920	67,380
1998 Series E (3.7% to 8.45%), due 2001 - 2029*	50,000	45,527	48,765
1999 Series I (5.1%), due 2030	5,095	5,095	5,095
Draw Down Series 1999 A (4.19%), due 2000	150,000	—	17,825
1999 Series A (3.4% to 6.3%), due 2001 - 2030*	75,000	71,060	75,000
1999 Series B (4.0% to 6.83%), due 2001 - 2030*	75,000	71,790	75,000
<b>Balance Carried Forward</b>	1,984,600	776,745	948,321

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements *(Continued)*

	Original Amount Authorized	Outstanding June 30, 20012000	
		(In Thousands)	
Single-Family Mortgage Program: (Continued)			
Balance Brought Forward	\$ 1,984,600	\$ 776,745	\$ 948,321
1999 Series C (4.2% to 7.07%), due 2001 - 2030*	75,000	72,935	75,000
Draw Down Series 2000 A (4.99%), due 2001	150,000	28,435	20,490
2000 Series A (4.3% to 7.77%), due 2001 - 2031*	98,135	86,000	98,135
2000 Series B (4.9% to 8.0%), due 2001 - 2031*	70,000	70,000	70,000
2000 Series C (4.6% to 5.95%), due 2002 - 2032*	84,390	84,390	—
2001 Series A (3.65% to 5.50%), due 2002 - 2033*	100,000	100,000	—
	2,562,125	1,218,505	1,211,946
Less: Unamortized debt discount		353	1,012
Add: Unamortized debt premium		27,208	24,465
		1,245,360	1,235,399
Total	\$ 3,046,310	\$ 1,515,638	\$ 1,482,054

The proceeds of bond issues denoted by “\*” are used to purchase GNMA and Fannie Mae mortgage-backed securities, which are backed by mortgage loans originated through the Commission’s loan programs.

The proceeds of bond issues denoted by “\*\*” are used to provide financing for multifamily housing projects. These bonds are limited obligations of the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower.

During the years ended June 30, 2001 and 2000, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of \$894,000 and \$817,000 for the years ended June 30, 2001 and 2000, respectively, on early extinguishment of debt have been recorded as an extraordinary item. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the resolution.

During the fiscal year ended June 30, 2001 and for Series III in July 2001, the Commission issued Multifamily Revenue Bonds 2001 Series I, II and III (subsequent to the balance sheet date) in the aggregate amount of \$90,990,000 to provide funds for the refunding of a major portion of the outstanding Housing Development Bonds (Federally Insured Mortgage Loans).

The 2001 Series I issue of \$21,780,000 refunded a similar amount of existing Housing Development Bonds. The 2001 Series II issue of \$46,360,000, issued in June 2001, will be used to call the second phase of the refunding program. To effect this refunding, the proceeds of the 2001 Series II bonds were put in escrow until the existing Housing Development Bonds are eligible to be called in early fiscal 2002. Because of this, the assets and liabilities of the refunded and refunding debt issues are reflected on the balance sheet at June 30, 2001. The 2001 Series III issue did not get sold until July 2001. Because of the 3 phase program of this refunding, no economic gain or deferred amount on refunding is required to be calculated at until all bonds are legally defeased.

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

All bonds have early redemption provisions. A summary of future annual scheduled principal maturities, which excludes unamortized debt discount and premium, follows (*in thousands*):

<b>Bonds Maturing During Year Ending June 30</b>	<b>Amount</b>
2002	\$ 44,980
2003	20,380
2004	20,615
2005	21,070
2006	21,760
Thereafter	1,360,415
	<hr/>
	\$ 1,489,220

In addition to bonds payable, the Commission has available two lines of credit totaling \$5,050,000 and \$1,108,000. At June 30, 2001, these lines of credit had outstanding balances of \$3,722,000 and \$891,000 at interest rates of 7.27% and 7.02%, and are due September 2010 and January 2012, respectively.

#### **6. Escrow Deposits And Rent Subsidies Payable**

Escrow deposits represent funds paid by project developers for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from the State of Missouri and HUD for payment of rent subsidies to participants in the Housing Assistance Programs.

Such funds held by the Commission are included in cash and temporary cash investments.

#### **7. Pension Plan**

All Commission employees participate in the Missouri State Employees' Plan (MSEP) administered by the Missouri State Employees Retirement System (the System), a single-employer public employee retirement plan. MSEP provides retirement, death and disability benefits to its members. As established by Missouri statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. The System issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, 906 Leslie Boulevard, P. O. Box 209, Jefferson City, Missouri 65101, or by calling 1-800-827-1063.

Covered employees do not contribute toward the plan. The employer is required to contribute at an actuarially determined rate. The contribution requirement for the years ended June 30, 2001, 2000 and 1999 was \$464,000, \$458,000 and \$418,000, respectively; these contributions represented 12.6%, 14.7% and 13.8% of total payroll during 2001, 2000 and 1999, respectively. These contributions are expensed by the Commission when incurred.



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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

As determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

#### 8. Restrictions And Commitments

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposit in restricted accounts for the various issues within the Multifamily and Single-Family Mortgage Programs.

Below is a summary of the amounts restricted at June 30, 2001 and 2000:

	2001	2000
	<i>(In Thousands)</i>	
Cash and temporary cash investments	\$ 16,228	\$ 16,263
Investments	312,851	334,815
Accrued interest receivable	11,179	11,240
	<b>\$ 340,258</b>	<b>\$ 362,318</b>

Included in the above restricted amounts, \$34,356,000 and \$33,517,000 at June 30, 2001 and 2000, respectively, are held as escrow deposits, and \$134,677,000 and \$181,136,000, respectively, are restricted for making or purchasing mortgage and construction loans.

Pursuant to certain of its resolutions, the Commission has restricted the fund equity of the Multifamily Mortgage Program and the Single-Family Mortgage Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, through various resolutions for the Multifamily Mortgage Program, the Single-Family Mortgage Program and activities of the Operating Fund, the Commission has reserved internally generated funds for financing residential housing units and for providing rental housing assistance, which are included in restricted fund equity. In 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to state statute, the Commission has restricted the amount of fund equity representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund was created by Section 215.035 of the Missouri statutes. Revenues of the Missouri Housing Trust Fund are restricted to programs which financially assist, by loans or grants, the development of housing stock and which provide housing assistance to persons and families with incomes at or below specified levels.

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

Below is a summary of restricted fund equity by the Commission, bond resolution and state statute as of June 30, 2001 and 2000:

	2001	2000
	<i>(In Thousands)</i>	
Restricted By Commission:		
Tenant assistance	\$ 46,191	\$ 43,898
Loans not funded by a bond sale	115,558	102,027
Loan commitments not yet disbursed	14,405	17,483
Reserves committed to Home Improvement and Multifamily interest subsidy program	5,799	5,799
Restricted earnings of HUD purchased loans	7,172	4,879
Unamortized bond premiums/discounts and financing costs, net of deferred commitment fees	3,957	2,651
	193,082	176,737
Restricted by bond resolution	59,091	64,859
Restricted by state statute - Missouri Housing Trust Fund	7,209	6,705
	<b>\$ 259,382</b>	<b>\$ 248,301</b>

The Commission rents office space in Kansas City under a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods.

The Commission rents office space in St. Louis under a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods.

Lease expenditures for the years ended June 30, 2001 and 2000 were \$462,811 and \$349,000 respectively. Future minimum lease payments for these leases are as follows (*in thousands*):

Year	Amount
2002	\$ 502
2003	502
2004	510
2005	511
2006	373
Thereafter	847
	<b>\$ 3,245</b>

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## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes To Financial Statements (*Continued*)

#### **9. Contingencies**

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Commission carries commercial insurance.

#### **10. Subsequent Events**

Prior to June 30, 2001, the Commission approved Missouri Housing Development Commission Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2001 Series B, totaling \$70,000,000. These bonds were issued in August 2001.

During the year ending June 30, 2001, the Commission began a program of refunding a major portion of the outstanding Housing Development Bonds (Federally Insured Mortgage Loans) in the Multifamily Mortgage Program. This refunding program was accomplished in three phases, the Multifamily Housing Revenue Bonds, 2001 Series I and II were issued during the year ending June 30, 2001. The 2001 Series III Bonds in the amount of \$22,850,000 were issued on July 31, 2001.

Prior to June 30, 2001, the Commission approved Missouri Housing Development Commission Multifamily Housing Revenue Bonds, 2001 Series 1A in the amount of \$7,300,000. These bonds were issued in August 2001.

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## Supplementary Data

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING BALANCE SHEET

*(In Thousands)*

June 30, 2001

	Operating Fund	Multifamily Mortgage Program	Single-Family Mortgage Program	Total All Funds
<b>Assets</b>				
Cash and temporary cash investments	\$ 6,717	\$ 12,173	\$ 10,275	\$ 29,165
Investments:				
Investment agreements	—	53,368	212,714	266,082
Securities purchased under agreements to resell	16,409	8,723	—	25,132
U.S. government and agency securities	86,015	36,295	1,751	124,061
	102,424	98,386	214,465	415,275
Mortgage investments:				
Mortgage and construction loans receivable	89,193	222,995	25,241	337,429
GNMA and FannieMae mortgage- backed securities	—	1,162	1,052,915	1,054,077
	89,193	224,157	1,078,156	1,391,506
Other assets:				
Accrued interest receivable	1,519	1,830	9,350	12,699
Deferred financing charges	—	1,317	36,765	38,082
Property and equipment	586	—	—	586
Rental property	1,808	—	—	1,808
Accounts receivable, other	241	41	79	361
	4,154	3,188	46,194	53,536
<b>Total Assets</b>	<b>\$ 202,488</b>	<b>\$ 337,904</b>	<b>\$ 1,349,090</b>	<b>\$ 1,889,482</b>
<b>Liabilities And Fund Equity</b>				
<b>Liabilities</b>				
Bonds payable	\$ 4,613	\$ 270,278	\$ 1,245,360	\$ 1,520,251
Accrued interest payable	—	4,337	22,931	27,268
Escrow deposits	6,173	28,029	154	34,356
Rent subsidies payable	4,703	—	—	4,703
Accounts payable	823	276	2,409	3,508
Deferred financing and commitment fees	4,612	1,198	6,510	12,320
<b>Total Liabilities</b>	<b>20,924</b>	<b>304,118</b>	<b>1,277,364</b>	<b>1,602,406</b>
<b>Fund Equity - Retained Earnings</b>				
Restricted by the Commission, bond resolution and state statute	200,291	8,924	50,167	259,382
Unrestricted	(18,727)	24,862	21,559	27,694
<b>Total Fund Equity</b>	<b>181,564</b>	<b>33,786</b>	<b>71,726</b>	<b>287,076</b>
<b>Total Liabilities And Fund Equity</b>	<b>\$ 202,488</b>	<b>\$ 337,904</b>	<b>\$ 1,349,090</b>	<b>\$ 1,889,482</b>

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MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS

*(In Thousands)*

For The Year Ended June 30, 2001

	Operating Fund	Multifamily Mortgage Program	Single- Family Mortgage Program	Total All Funds
<b>Operating Revenues</b>				
Interest and investment income:				
Income - mortgage investments	\$ 4,908	\$ 13,821	\$ 75,174	\$ 93,903
Income - investments	6,427	3,015	12,141	21,583
Net increase in fair market value of investments	2,624	689	39,957	43,270
Total interest and investment Income	13,959	17,525	127,272	158,756
Financing fees and other	8,968	386	460	9,814
Federal assistance and grants	66,493	—	—	66,493
<b>Total Operating Revenues</b>	<b>89,420</b>	<b>17,911</b>	<b>127,732</b>	<b>235,063</b>
<b>Operating Expenses</b>				
Interest on bonds	351	13,422	75,286	89,059
Bank miscellaneous bond debt expense	22	321	5,568	5,911
Salaries	3,677	—	—	3,677
Administrative expenses	4,721	—	—	4,721
Provision for loan losses	3,820	—	—	3,820
Rent subsidy payments	2,548	—	—	2,548
Housing Trust Fund grants	4,431	—	—	4,431
Federal assistance and grants	65,493	—	—	65,493
<b>Total Operating Expenses</b>	<b>85,063</b>	<b>13,743</b>	<b>80,854</b>	<b>179,660</b>
<b>Operating Income Before Extraordinary Item</b>	<b>4,357</b>	<b>4,168</b>	<b>46,878</b>	<b>55,403</b>
<b>Extraordinary Gain (Loss) On Early Extinguishment Of Debt</b>	<b>—</b>	<b>(329)</b>	<b>1,223</b>	<b>894</b>
<b>Net Income</b>	<b>4,357</b>	<b>3,839</b>	<b>48,101</b>	<b>56,297</b>
<b>Retained Earnings - Beginning Of Year</b>	<b>170,838</b>	<b>27,967</b>	<b>31,974</b>	<b>230,779</b>
<b>Interfund Transfers</b>	<b>6,369</b>	<b>1,980</b>	<b>(8,349)</b>	<b>—</b>
<b>Retained Earnings - End Of Year</b>	<b>\$ 181,564</b>	<b>\$ 33,786</b>	<b>\$ 71,726</b>	<b>\$ 287,076</b>